

30 OCT 1974

MEMORANDUM FOR: Director of Personnel

SUBJECT : Position Management and Compensation System, CIA

1. Action Proposed: Establishment of a position evaluation system for Agency positions utilizing factor evaluation/point rating/benchmark techniques and providing for operating component participation in position evaluation.

2. Basic Data:

Industrial Practice

The American Management Association annually surveys the pay and compensation systems used in private industry in order to provide reliable guides for the establishment of competitive and equitable compensation for administrative, technical, professional, and management positions which are not the subject of union negotiation. This has been done for the last 20 years.

For 1973, the 20th year of the survey, 801 U.S. companies participated by submitting data on compensation trends, salary practices and policies, and pay rates for 50 to 60 different types of jobs, including over three hundred individual job titles. The companies represented include most of the large companies of the United States in the fields of marketing, financial and legal, industrial and public relations, and engineering and research.

Since the reports were begun, some 20 years ago, the list of companies subscribing to the reports has grown into the thousands. Included are most of the major companies of the United States. A major segment of American industry utilizes the results of the AMA surveys in establishing and changing pay rates.

The AMA reports provide standards for jobs which define the nature of work and the status and scope of responsibility so that individual companies can identify levels which apply to them. The majority of companies surveyed use the AMA reports as guides in establishing competitive and equitable rates for their own positions.

Most of the companies represented in the surveys use formal evaluation plans for positions in administrative, technical, and most professional fields. These plans are one or a combination of the following:

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Job Ranking
 Grading
 Point Evaluation
 Factor Comparison
 Guide Charts, Profiles
 Guidelines
 Direct Pricing

The ranking, point evaluation, and factor comparison systems are the most commonly used. These are the most effective and equitable. They are similar to systems we use in this Agency.

The companies represented in the AMA surveys are not identified and the information submitted by individual companies is confidential. However, specific information on evaluation plans and policies of any individual company can usually be secured by direct request of the company if this is desired. Attached are summaries for the evaluation system used by Combustion Engineering of Stamford, Connecticut, a large industrial corporation of 35,000 employees with \$1.3 billion in sales in refractories, cracking plants, and other combustion equipment. This is a factor evaluation point system, similar to the system we use for supergrade positions.

Most of the companies surveyed and most major U.S. companies utilize a centralized control of position evaluation and salary administration. Most companies apply a uniform system throughout their companies. There was no indication of substantial variance between actual salaries paid comparable positions in different activities within any particular company. Furthermore, most companies reported the same salary ranges for positions of the same difficulty and responsibility level irrespective of the nature of the activity.

The conclusion, borne out by numerous discussions and contacts with industry officials, is that level of skill and responsibility ~~is the two~~ ^{are} the most important single factor in the market value of positions.

While the effect on morale, employee turnover, and work productivity of failure to apply an equitable system of job evaluation has not been studied throughout industry in depth, it is clear that nearly all companies have reached the conclusion that they must be equitable and that this objective cannot be achieved without an objective centralized control method. It cannot be achieved by permitting heads of company components to establish whatever pay levels they wish, regardless of what may be the going rates in the activity.

The results of absence of control are obvious. If a supervisor established his pay rates lower than another component, his employees would become dissatisfied and eager to leave. On the other hand, if he

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established rates higher than another component he would be criticized by his fellow component heads and there would be pressure to raise rates elsewhere in the company to maintain equality. It is not possible to keep a diversity of pay rates for equivalent jobs a secret within a component. Eventually and usually soon the news will get out.

Unfortunately, a supervisor often thinks in terms of the qualifications of his employees and he wishes to pay more for the exceptionally well-qualified. Employees think in terms of the job they do. They believe that they should be in the same pay grade as another employee doing equivalent work.

Government Practice

Within the Federal Government centralized evaluation and control within independent or semi-independent organizations is the rule. Review of positions is customarily accomplished by some form of survey program. While there may be separate systems within a Federal department, each semi-independent bureau, e.g. Agricultural Research Service in the Department of Agriculture, Federal Aviation Administration in the Department of Transportation, Internal Revenue Service in the Treasury Department, maintains centralized position evaluation control within its organization. Further, uniform position standards issued by the Civil Service Commission are followed in all agencies which are not excluded by law. Excluded organizations have central control systems, e.g. Tennessee Valley Authority, Atomic Energy Commission, Department of State.

The abolition or emasculation of job evaluation systems has been tried in the Federal Government with unfortunate consequences. In many of the war agencies in World War II and in the Korean War superficial or incompetent administration of job evaluation systems resulted in wholesale escalation of positions and eventually more stringent controls imposed by the Civil Service Commission to correct misallocations.

More recently the delegation of classification authority to the bureaus of the Department of State by the Deputy Undersecretary for Administration, Crockett, from June 1962 until February 1971 resulted effectively in the abolition of the job evaluation system.

A general escalation of grade levels took place during this period. This was subsequently attributed to:

A. Pressures by management within the bureaus.

B. The inexperience of personnel performing position evaluation.

C. A tendency to project future programs or shifts in program emphasis which later failed to materialize.

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D. The competition between the bureaus to obtain and retain the best qualified officers -- frequently involving placing artificially higher grades on positions to induce officers to take assignments.

Many incumbency allocations at higher levels than justified were made, and these levels usually remained after the incumbents left.

Job equality was virtually eliminated, resulting in an unbalanced position structure and significant misalignment of like positions in different organizations and different geographical areas.

These are the characteristic results of lax administration of a classification system.

Criticism of grade levels elsewhere within the Government and by the Office of Management and Budget resulted in a review of State Department management by a Task Force headed by Deputy Undersecretary William Macomber in the fall of 1970.

Recommendations of the Task Force resulted in the recentralization of position classification under the Director General of the Foreign Service and the Director of Personnel. A professional staff of classification specialists was established which made a detailed review of all positions. A summary of subsequent changes was:

FSO 1 and 2 -- Reduced by	23%
FSO 3 -- Reduced by	6%
FSO 4 and 5 -- Increased by	8%
FSO 6 -- Increased by	17%
FSO 7 and 8 -- Increased by	3%

Thus there were substantial reductions at higher levels and increases at lower levels.

The current emphasis is to insure that officers will more often be assigned to positions at the level of their personal grades.

A secondary problem during the period was the excessive inflation of Foreign Service secretarial grades. Correction of this problem has been rendered more difficult by the morale questions involved. Eventually it is hoped that levels will be reduced to correspond more closely with levels of difficulty.

3. Staff Position: I believe that this information provides substantial support for continuing the Agency position management system in order to maintain job equity and proper alignment between organizations. The use of surveys is necessary since effective review is not practicable without complete coverage of organizations.

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We have long been seeking a new approach to the classification and evaluation of positions, which combines the best features of industrial and government practices. Therefore, we plan to implement a factor evaluation/point rating/benchmark system which will make use of approved job descriptions developed in the course of surveys. Representative descriptions throughout the Agency will be selected as benchmark positions. In most cases they are already described in accordance with appropriate evaluation factors. They will be point rated, grade levels determined by a conversion table, organized and tabulated into a complete system which will be indexed and can be used as a fully defensible standard for justifying grade levels for all positions. This system will be complementary to the system used for supergrade positions.

Eventually several hundred benchmark positions will be included in this system. The participation of Directorate officers in the development and approval of benchmarks will be desirable.

In operation of the system the following steps will be involved:

- A. Description of positions by factors.
- B. Comparison of positions with benchmarks.
- C. Point rating of position factors.
- D. Totalling of points.
- E. Conversion of total to grade level by use of conversion table.

In order to implement the system as soon as possible, we plan to develop benchmarks and establish a preliminary standard in the course of the Office of Personnel survey now in progress. The maintenance of an effective position management system requires full understanding and appreciation by operating components. Therefore, the participation of personnel from operating components, preferably of a senior level (GS-15 or above) in the conduct of position management surveys, the development of benchmark descriptions and the adjudication of disputed grades would contribute to more effective review of organization, and more equitable evaluation of position levels.

In order to secure the greatest benefit from participation of operating personnel in the conduct of surveys and the implementation of the factor evaluation/point rating/benchmark system, the following actions would be desirable:

- A. The Heads of components scheduled for survey should be requested to designate one or more senior individuals (GS-15 or above) to work with Position Management Officers in surveys.

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- B. The Position Management and Compensation Division should schedule training courses for these individuals in advance of surveys, if practicable.
- C. During the survey the operating component representatives would participate to the maximum extent possible in discussions with supervisory and technical personnel, in development and rating of benchmark descriptions, in evaluation of results, and in the preparation of the final reports.

4. Recommendation: I recommend that you

- A. Authorize the development of a factor evaluation/point rating/benchmark system for all Agency positions below the supergrade level, and
- B. Designate a senior officer to work with the survey team members in the Office of Personnel survey in developing benchmarks and participating in the evaluation process.

[REDACTED]

Chief
Position Management & Compensation Division

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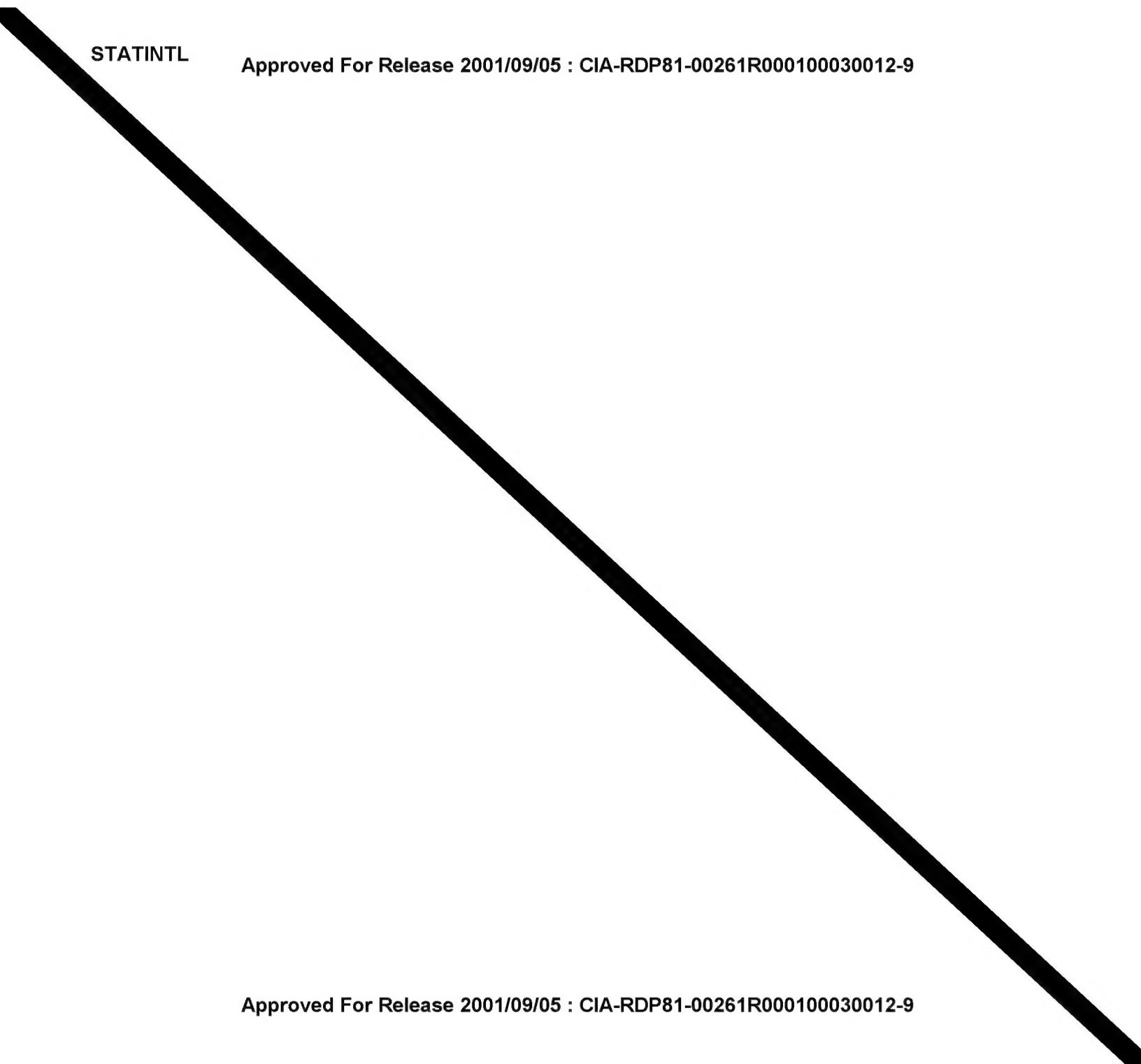
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Remarks:

For your information, I intend to
approve this for the Office of Personnel.

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